

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, MARCH 15, 2006

10:00 A.M.

Reported by:
Peter Petty
Contract No. 150-04-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

Joseph Desmond, Chairperson

Jackalyne Pfannenstiel, Vice Chairperson

John L. Geesman, Commissioner

Arthur Rosenfeld, Commissioner

STAFF PRESENT

Bill Chamberlain, Chief Counsel

B. B. Blevins, Executive Director

Margaret J. Kim, Public Advisor

Suzanne Garfield

Betty McCann

Paul Kramer

Justin Oakley

Caryn Holmes

Martha Krebs

ALSO PRESENT

David Modisette

California Electric Transportation Coalition

John Shears, CEERT

Manuel Alvarez, Southern California Edison

Brent Schoradt, CWC

I N D E X

	Page
Proceedings	1
Items	
1 Consent Calendar	1
a California Climate Action Registry Annual Conference	
b Building Media, Inc.	
c Hydrologic Research Center (HR)	
d Utility Energy Forum	
2 Palomar Energy Project	2
3 Governor's Office of Planning and Research (OPR)	3
4 University of California, Davis (UCD)	--
5 City of Mill Valley	5
6 Energy Commission's Participation in the California Public Utilities Commission Procurement Proceeding	8
7 Public Interest Energy Research Program 2007-2011 Electricity and Natural Gas Research Investment Plans	18
8 Minutes	45
9 Commission Committee Presentations	45
10 Chief Counsel's Report	45
11 Executive Director's Report	45
12 Legislative Director's Report	47

I N D E X (Continued)

13 Public Advisor's Report	47
14 Public Comment	47
Adjournment	50
Certificate of Reporter	51

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

1 P R O C E E D I N G S

2 10:00 a.m.

3 CHAIRPERSON DESMOND: We will be
4 reciting the pledge.

5 (Whereupon, the Pledge of
6 Allegiance was recited in unison.)

7 CHAIRPERSON DESMOND: The first item.
8 Just a note on a correction to the consent
9 calendar. Item 1 a is that is URPA funded, not
10 PIER funded), just to make a note here, so we will
11 do that.

12 With that, Agenda Item 1 consent
13 calendar.

14 COMMISSIONER ROSENFELD: I move the
15 consent calendar.

16 (Thereupon, the motion was made.)

17 COMMISSIONER PFANNENSTIEL: Second.

18 (Thereupon, the motion was seconded.)

19 CHAIRPERSON DESMOND: All those in
20 favor?

21 (Ayes.)

22 CHAIRPERSON DESMOND: Opposed?

23 So moved.

24 Item No. 2, Palomar Energy Project and
25 possible approval of a petition to transfer

1 ownership and operational control of the 546 MW
2 Palomar Energy Project in Escondido and to change
3 the name of the facility from Palomar Energy
4 Project to the Palomar Energy Center.

5 Mr. Kramer.

6 MR. KRAMER: Good morning, Staff Counsel
7 for Connie Bruins the Compliance Project Manager.
8 There is really nothing more to say than the
9 description.

10 Staff has reviewed the petition to
11 change ownership and change the name, finds that
12 it meets the requirements of our regulation and
13 recommends its approval.

14 COMMISSIONER GEESMAN: Chairman.

15 CHAIRPERSON DESMOND: Commissioner
16 Geesman.

17 COMMISSIONER GEESMAN: I would move the
18 staff recommendation. We took this up in the
19 Siting Committee and found it satisfactory.

20 (Thereupon, the motion was made.)

21 COMMISSIONER PFANNENSTIEL: I'll second
22 that motion.

23 (Thereupon, the motion was seconded.)

24 CHAIRMAN DESMOND: All those in favor?

25 (Ayes.)

1 CHAIRMAN DESMOND: Opposed?

2 So moved.

3 Agenda Item 3, Governor's Office of
4 Planning and Research. Possible approval of
5 Contract 200-05-002 for \$45,000 with OPR to
6 provide writing and research services for planning
7 and policy documents regarding California's future
8 energy-related issues.

9 Mr. Oakley.

10 MR. OAKLEY: I'm Justin Oakley from the
11 Contracts Office. The Administrative Staff asked
12 for approval of the annual funding for the
13 Governor's Office of Planning and Research for
14 writing and research services on an as needed
15 basis for planning and policy documents.

16 The Energy Commission has entered into
17 this administrative agreement each year since 1991
18 and costs have remained level since 1996.

19 I am here to answer any questions you
20 may have.

21 CHAIRMAN GEESMAN: How is the quality of
22 service delivered?

23 MR. OAKLEY: I think it has been
24 average.

25 CHAIRMAN GEESMAN: On that basis, I'll

1 make a motion to approve the contract.

2 (Thereupon, the motion was made.)

3 CHAIRMAN DESMOND: Commissioner
4 Pfannenstiel.

5 COMMISSIONER PFANNENSTIEL: Just can you
6 give me some examples of the products that they
7 have assisted in the writing, just a few to give
8 us so we can check the quality ourselves?

9 MR. OAKLEY: I can't really provide that
10 at this time, Commissioner Pfannenstiel. I am
11 kind of filling in for my boss, Sharon Wardell.
12 She is the Manager of the Contracts Office. I
13 kind of through this together rather quickly. If
14 you would like me to get some examples for you, I
15 can certainly do that.

16 CHAIRPERSON DESMOND: Commissioner
17 Pfannenstiel, perhaps I can give you one example I
18 am aware of is that last spring OPR was
19 responsible for preparing the materials and
20 coordinating a series of six statewide energy
21 forums in anticipation of promoting energy
22 efficiency and demand response for summer 2005.
23 That is an example that I am aware of.

24 COMMISSIONER PFANNENSTIEL: Under this
25 contract?

1 CHAIRMAN DESMOND: I am not sure if it
2 is this contract, but that is an example of the
3 types of planning information related to energy
4 issues.

5 COMMISSIONER PFANNENSTIEL: That's fine.
6 I'll second the motion then.

7 (Thereupon, the motion was seconded.)

8 CHAIRPERSON DESMOND: All those in
9 favor?

10 (Ayes.)

11 CHAIRPERSON DESMOND: Opposed?

12 So moved. Mr. Oakley, I would ask that
13 you do come back with some examples of that just
14 for our edification at the Commission.

15 MR. OAKLEY: I surely will.

16 CHAIRPERSON DESMOND: Great, thank you.

17 Agenda Item 4 is going to be held until
18 a later business meeting pending conversation with
19 Commissioner Pfannenstiel, and we will move on
20 then to agenda item five, The City of Mill Valley.
21 Possible approval of the City of Mill Valley's
22 adoption and enforcement of a local ordinance
23 requiring single-family dwellings be more energy
24 efficient than the 2005 Building Efficiency
25 Standards. Mr. Hudler.

1 MR. HUDLER: Good morning,
2 Commissioners. The City of Mill Valley has
3 applied for an application under Section 10-106 of
4 the Administrative Code for Title 24 for us to
5 consider adoption or approval rather of a local
6 ordinance which has energy standards more
7 efficient than Title 24 for the state under the
8 2005 Standards.

9 The code is very similar to the one that
10 was adopted by Marin County, which essentially
11 says that for homes over 3,500 square feet in
12 size, they can use no more total energy than a
13 3,500 square foot home.

14 The base budget for the 3,500 square
15 feet must be obtained by using energy conservation
16 measures only. For that portion of the budget
17 over 3,500 square feet, they can use photovoltaics
18 as part of the process of attaining equivalency to
19 the 3,500 square foot total energy use.

20 CHAIRPERSON DESMOND: Questions or
21 comments. Commissioner Geesman.

22 COMMISSIONER GEESMAN: I wonder if
23 there's something to learn here from these local
24 jurisdictions. I know when we were first
25 establishing the standards and the second

1 generation of standards, there was a tendency for
2 local governments, particularly in the solar area,
3 to get out quite bit ahead of the state.

4 We didn't have this restrictive
5 provision in the statute at the time, so, you
6 know, we learned about those as we could. Now
7 we've got the convenience of actually seeing
8 ordinances brought to us.

9 Obviously in the SB-1 debate, there was
10 a great hue and cry as to whether photovoltaics
11 should be mandated in new construction, and I
12 think for a good reason. The building industry
13 and other housing advocates were concerned about
14 adding to the cost of new housing.

15 If Marin County and Mill Valley have
16 sought to slice that onion slightly differently
17 and to focus their photovoltaic effort on pretty
18 large homes, I mean, 3,500 square feet is a pretty
19 good-sized house.

20 I wonder what types of numbers towards
21 the Governor's million solar roofs target we could
22 achieve if we applied that standard statewide? I
23 just raise the question. I think this is a good
24 ordinance and something we ought to both approve
25 and encourage elsewhere, but I also think our

1 staff probably ought to take a look at what could
2 be accomplished statewide if we sliced the mandate
3 onion a little bit differently than the debate has
4 been so far.

5 MR. HUDLER: Yes. One of the
6 interesting points that this approach brings up is
7 that for that larger houses, this makes a
8 significant impact in the embodied energy content
9 of homes which currently we do not look at. So,
10 it is a significant impact.

11 COMMISSIONER GEESMAN: I move approval
12 of the ordinance.

13 (Thereupon, the motion was made.)

14 COMMISSIONER ROSENFELD: An enthusiastic
15 second.

16 (Thereupon, the motion was seconded.)

17 CHAIRPERSON DESMOND: All those in
18 favor?

19 (Ayes.)

20 CHAIRMAN DESMOND: Opposed?

21 So moved.

22 MR. HUDLER: Thank you.

23 CHAIRMAN DESMOND: Thank you. Item
24 number six, the Energy Commission's participation
25 in the California Public Utilities Commission

1 Procurement Proceeding in consideration of whether
2 and how the Energy Commission should participate
3 in the CPUC's 2006 long term procurement
4 proceeding, which is R.06--01-013 and possible
5 assignment to the Electricity Committee to oversee
6 this participation. Ms. Holmes.

7 MS. HOLMES: Thank you. Good morning,
8 Commissioners. The item before you is a decision
9 about the type and the extent of the Energy
10 Commission's involvement in the proceeding that
11 Chairman Desmond just referenced. This is a new
12 rulemaking. It is a successor to the previous
13 long term procurement proceedings.

14 The CPUC has identified a number of
15 issues that it intends to address in this
16 proceeding including the need for policies to
17 include new generation and long term contracts.
18 The role of the ESP's and long term procurement, a
19 number of other items.

20 The CPUC has stated that it plans to use
21 EAP 2 as a guidepost in the proceeding, and it
22 also plans to have consideration of the
23 Commission's Integrated Energy Policy Report as
24 well. As you know, the Energy Policy Report that
25 was adopted last fall not only identifies a range

1 of need, but a number of significant policies.

2 As a result of that, the staff has
3 recommended that the Energy Commission participate
4 in this CPUC proceeding and that the oversight of
5 that participation be delegated to the Electricity
6 Committee.

7 As you are probably aware, there has
8 been some discussion about what the scope of our
9 involvement in the proceeding will be. It is
10 clear that we can intervene and become a formal
11 party in the proceeding, and before I draft a
12 resolution, will want a sense from the Commission
13 if that is a decision they wish to make this
14 morning.

15 In addition, we are also in the process
16 of exploring the option of serving in some sort of
17 collaborative role as well. Although the PUC
18 designated this proceeding as a rate making
19 proceeding and imposed an ex parte rule,
20 apparently based on conversations that we have had
21 with the PUC, they are willing to consider a
22 process in which our staff would provide some sort
23 of collaborative assistance to the CPUC staff as
24 well. We hope to pursue that process as we go
25 down the road.

1 As I said, staff has recommended that we
2 participate and that oversight of the Commission's
3 participation be delegated to the Electricity
4 Committee. I also recommend that if you wish to
5 intervene now as a party, that you either make
6 that decision today or explicitly delegate that
7 decision to the Electricity Committee.

8 Legal Office and staff obviously are
9 happy to serve in whatever role the Commission
10 decides is appropriate, and we look forward to
11 taking the impressive results of the 2005 IEPR
12 into the PUC's Procurement Proceeding.

13 CHAIRPERSON DESMOND: Thank you, Ms.
14 Holmes. Commissioner Pfannenstiel.

15 COMMISSIONER PFANNENSTIEL: Karen, I'm
16 not quite sure what you were suggesting that or
17 what you were describing the PUC suggestions that
18 we can collaborate with them, we can be
19 collaborative staff even if we are coming in as a
20 party?

21 MS. HOLMES: That is an issue that I
22 don't fully understand under the process of having
23 conversations with the ALJ's about that. As I
24 understand it, they are willing to consider a
25 process in which there are staff discussions about

1 the technical issues, notwithstanding the fact
2 that we have intervened as a party and that there
3 is a ex-parte rule that would prohibit unreported
4 communications with decision makers.

5 COMMISSIONER PFANNENSTIEL: I guess I am
6 not quite clear on how that would work. Given
7 that, it may be well that we simply delegate to
8 the Electricity Committee that form of involvement
9 because it may take some time into this proceeding
10 to see what is going to work.

11 I am not sure sitting up here this
12 morning we have a sense of what they are asking us
13 to do and what our role would be going forward
14 clearly. We have the information and the policies
15 from the IEPR that we not only want them to use,
16 we think are very important. We think it is
17 critical that they use.

18 How to get that in front of them becomes
19 really kind of a process question that I can't
20 understand how it is going to work.

21 MS. HOLMES: It appears to me that their
22 ex parte rule may be implemented differently than
23 our ex parte rule, and that is why I wanted to
24 have these additional conversations with the ALJ
25 Division.

1 I certainly recommend that the
2 delegation explicitly include the authority to
3 pursue those discussions and to make a
4 determination down the road about the extent of
5 the collaborative involvement.

6 If the Commission is also ready this
7 morning to make a decision about party status, I
8 would recommend that you make that decision, or,
9 as I said, in the alternative that you explicitly
10 delegate the decision to make the decision about
11 party status to the Electricity Committee so that
12 the decision is clear.

13 CHAIRPERSON DESMOND: Commissioner
14 Rosenfeld.

15 COMMISSIONER ROSENFELD: As Commissioner
16 Pfannenstiel knows very well because she sits
17 through these meetings, in two earlier
18 proceedings, one is demand response and one is
19 energy efficiency, we were explicitly invited in
20 the case of demand response by President Peevey in
21 the case of efficiency by then Commissioner
22 Kennedy to participate as joint staff.

23 That has worked out we think extremely
24 well, but there was absolutely no possibility in
25 that position of our being parties, and my mind

1 boggles at how you could do both. I do think this
2 needs careful thinking. If asked for an
3 unsolicited comment, I would say the idea of the
4 joint staff has at least for us worked out
5 extremely well.

6 In the case of demand response, in fact,
7 we had two working groups, one for large customers
8 and one for small customers. They were both
9 chaired by Energy Commission staff, and it worked
10 out pretty well. I am repeating myself, but I
11 don't see how you can be a party and joint staff.

12 MS. HOLMES: We have had discussed with
13 the PUC over the past year we had discussed
14 whether or not having ex-parte rules was necessary
15 or not. It appears to me that what the PUC is
16 informally indicating to us is this that they do
17 want some kind of an ex-parte rule, but it may not
18 prevent our staff from working with their staff.

19 Until we get more details, I can't
20 provide anymore specificity than that.

21 CHAIRPERSON DESMOND: Okay. Commissioner
22 Geesman.

23 COMMISSIONER GEESMAN: My experience
24 with some of the other collaborative efforts
25 between the two organizations has not been quite

1 as positive or as glowing as Commissioner
2 Rosenfeld's.

3 I am all in favor of the staff working
4 with staff. I think that is really an important
5 aspect for the two agencies to do. This is a
6 little more formalized proceeding than that.

7 We proceeded through two assigned
8 Commissioner rulings in shaping the Integrated
9 Energy Policy Report 2005 cycle and developed a
10 completely separate report that compiled the
11 various recommendations of the IEPR related to
12 electric procurement at the specific request of
13 the CPUC and their ALJ's and were required to
14 reach a level of evidentiary formality to meet
15 their specifications.

16 I have to confess, and I am speaking
17 only for myself that since we transmitted the IEPR
18 and the transmittal report, I've been disappointed
19 by the way in which the procurement issue has been
20 framed in the CPUC proceeding. I have been quite
21 concerned that issues are suggested for re-
22 litigation that were originally identified in the
23 two ACR's as being addressed in the IEPR.

24 I've also been concerned that it is a
25 little bit like one of those old fashioned

1 thermometers when you break it, all of the little
2 particles of mercury form little balls and spread
3 out. This issue seems to be pretty fractionated
4 the way in which the CPUC currently is addressing
5 it.

6 I think our task is pretty simple in the
7 proceeding. If I can be a bit prosaic, it would
8 be to simply convey the message of the importance
9 of initiating long term procurement now and for
10 those not inclined towards subtlety to read the
11 damn report.

12 I think we should intervene as a party.
13 I am completely open and happy to have it
14 delegated to the Electricity Committee as to what
15 other participation our staff ought to have, but I
16 do very much think that it would be to our benefit
17 and to the state for us to formally intervene as a
18 party.

19 CHAIRMAN DESMOND: Ms. Holmes, could you
20 shed any light on the decision as to why the PUC
21 went down the path of designated this as a rate
22 making proceeding?

23 MS. HOLMES: I don't know how much
24 detail to get into. Because ultimately it may
25 effect the utility rates, they didn't distinguish

1 between generalized rate making and individualized
2 rate making, which is a distinction that is
3 important in administrative law and has
4 implications for the ex-parte rule.

5 They simply seem to conclude that
6 because implementation of some of these policies
7 and approval of the long term procurement plans
8 could have effects on rate, that they chose to
9 designate it as rate making.

10 Interestingly enough, of course, the
11 title of the proceeding indicates that it is a
12 rule making. So, it is confusing at best.

13 CHAIRPERSON DESMOND: I appreciate that,
14 and that may be why, Commissioner Rosenfeld, that
15 they are contemplating that there is the
16 opportunity to do both, recognizing that this in
17 general having some impact, yet not specific case.

18 Commissioner Pfannenstiel.

19 COMMISSIONER PFANNENSTIEL: Mr.
20 Chairman, I would move that we here right now
21 agree that we should intervene as a party, but
22 then we delegate to the Electricity Committee any
23 further role vis a vis the PUC in this proceeding.
24 Whether it is collaborative staff or some kind of
25 staff discussions or none whatsoever, depending on

1 what Ms. Holmes hears back from their ALJ
2 division.

3 (Thereupon the motion was made.)

4 COMMISSIONER GEESMAN: I'll second that.

5 (Thereupon, the motion was seconded.)

6 CHAIRPERSON DESMOND: All those in
7 favor?

8 (Ayes.)

9 CHAIRPERSON DESMOND: Opposed?

10 So moved. Thank you, Ms. Holmes.

11 MS. HOLMES: I'll prepare a resolution
12 letter today.

13 CHAIRPERSON DESMOND: Item No. 7.
14 Public Interest Energy Research Program 20007-
15 2011. This is the Electricity Investment Plan.
16 We will not be presenting the Natural Gas Research
17 Investment Plan today. That will be done at a
18 later meeting.

19 This is possible approval, which for the
20 Electricity Investment Plan which provides long
21 term electricity research priorities for the PIER
22 Program and which must be submitted to the
23 appropriate Legislative policy and fiscal
24 committees, and it indicates here March 15.

25 Ms. Krebs.

1 MS. KREBS: Thank you, Commissioners.
2 The Public Utility Code states that on or before
3 March 31, the Energy Commission shall prepare an
4 investment plan addressing the application of
5 monies costed in the next five years for the
6 Public Interest Energy Research Program.
7 This document was prepared to meet this
8 requirement in preparation for the authorization.

9 During the last five years, the PIER
10 Program has prioritized research funding according
11 to the preferred loading order established in the
12 Integrated Energy Policy Report.

13 The program has focused primarily on
14 research to support efficiency, demand response,
15 renewable, clean fossil, and distributed
16 generation.

17 Together these areas represent 70
18 percent of the PIER funding during the last five
19 years. In addition, PIER has funded the search to
20 address environmental impacts of all the elements
21 of the California Energy System.

22 It has also funded research to address
23 energy infrastructure issues and the integration
24 of energy systems, such as transmission and
25 distribution.

1 During the next five years, PIER will
2 continue to fund research in these areas as it is
3 defined and prioritized in the sections of the
4 five-year plan. The five-year plan also defines
5 the need to fund research that identifies and
6 addresses impacts with transportation in the
7 California Energy system.

8 As the Pier Program moves forward to
9 implement this plan, each program area will
10 develop detailed road maps to translate the
11 strategic objectives and research solutions into
12 solicitations and proposed projects. The details
13 of projects selected will be determined through
14 the annual budgeting process.

15 This has been a very inclusive planning
16 process for the five-year plan. Beginning from
17 and structured around a State Energy Policy, it
18 also involved key stakeholders inside and outside
19 the Energy Commission and involved them in
20 hundreds of interviews and multiple workshops.

21 We also looked at trends and drivers
22 that will affect the energy sector and related
23 emerging policy and technology areas in the coming
24 years. The areas that we identified are in the
25 categories of demand, trends, resource, supply,

1 technology opportunities, and the regulatory and
2 policy framework.

3 We identified five energy issues that
4 were important in the next five-year period. They
5 are affordable, comfortable, and energy smart
6 choices for daily life and a strong California
7 economy. Clean and diverse electricity supply, a
8 clean and diverse transportation system, and
9 integrate electricity system that is reliable and
10 secure, and an environmentally sound electricity
11 system.

12 The plan identifies for each of these
13 areas a small number of strategic R & D objectives
14 and then research solutions that have been
15 prioritized.

16 The transportation R & D activity that
17 PIER will establish in the next five years
18 deserves additional comment. SB-76 stated that
19 funds deposited in the Public Interest Energy
20 Research Development and Demonstration Fund may be
21 expended for projects that serve the energy needs
22 of both stationary and transportation purposes if
23 the research provides an electricity rate payer
24 benefit.

25 In developing the program, PIER is

1 guided by the Energy Policy Report to develop its
2 transportation research strategies and research
3 solutions in the plan.

4 In the first half of 2006, the PIER
5 Program will start a series of planning meetings
6 with key stakeholders and other transportation
7 agencies of the state to prioritize and refine the
8 research solutions.

9 In parallel, PIER also expects to select
10 and fund several near term transportation projects
11 that provide clear benefits to its California
12 electricity ratepayers and address urgent state
13 transportation policy mandates.

14 The Energy Commission intends to use
15 PIER funds to address a broad section of
16 transportation of R & D opportunities. For
17 example, transportation projects that improve
18 efficiency or reduce air emissions or reduce
19 greenhouse gasses or increase alternative fuels
20 used would be considered funding. However, project
21 proponents will be expected to identify benefits
22 to the electricity ratepayers.

23 There are a number of other sections in
24 the report. I think this the heart of where the
25 PIER Program identifies opportunity for R & D in

1 the coming five years.

2 CHAIRMAN DESMOND: Thank you, Ms. Krebs.

3 By the way, do we have any blue cards. Are there
4 speakers here on the phone that wish to address
5 this issue. No. Commissioners? Commissioner
6 Pfannenstiel.

7 COMMISSIONER PFANNENSTIEL: I'll just
8 make two points. I think it is an obviously well
9 thought out plan, and I've had discussions with
10 Martha and others about the development of this
11 investment plan.

12 My concern has not been what is here,
13 but rather what isn't here, which is some sense of
14 the funding allocation to the different areas of
15 the different priority areas.

16 I understand why it has been done this
17 way, and I'm actually fine with that. As I say, I
18 had looked for a little greater guidance on the
19 funding allocations.

20 The area of the transportation research
21 I know it has been because it is new this time has
22 been relatively difficult to describe and to scope
23 out accurately. The Transportation Committee,
24 and I'll speak a bit for Commissioner Boyd since
25 he is not here today, but the Transportation

1 Committee has been very concerned that the
2 language within the investment plan be broad
3 enough to capture the necessary and relevant and
4 important transportation projects that have
5 remained unfunded, yet, absolutely able to touch
6 back to the language of the legislation.

7 I am quite sure that what is here
8 actually achieves that. I think that more
9 important thing, though, than the language that is
10 here is the projects that come in for funding and
11 how they are evaluated and ultimately either
12 approved for funding or not approved for funding.
13 That is really where the need to demonstrate the
14 benefits to electric ratepayers will come is in
15 those projects.

16 I believe this investment plan intends
17 to, and I think it achieves, the ability to just
18 lay out to describe how we should be looking at
19 those in the context of the overall electricity
20 research.

21 So, with that, I intend to approve this
22 plan when it comes up for vote.

23 CHAIRPERSON DESMOND: Commissioner
24 Rosenfeld. We do have a speaker, Mr. Modisette
25 with the California Electric Transportation

1 Coalition.

2 MR. MODISETTE: Thank you, Chairman
3 Desmond and members of the Commission. I'm Dave
4 Modisette with the California Electric
5 Transportation Coalition.

6 We are seeking two language changes in
7 the document, in the transportation section. I
8 guess we are very concerned about the language
9 which appears on the bottom of page 25, and
10 that -- why don't I just read that. It says, "The
11 Energy Commission intends to use a broad
12 interpretation of electricity ratepayer benefits
13 as they apply to transportation research projects.
14 For example, transportation projects that improve
15 efficiency or reduce air emissions or reduce
16 greenhouse gasses or increase alternative fuels
17 would be considered for funding."

18 I guess our concern about this language
19 is it appears to indicate that projects which only
20 have those attributes could be funded. We believe
21 that both a policy and the statutory requirement
22 here is that there needs to be a link fact to the
23 provision of electricity services in some way.

24 These are funds that are coming from
25 electric ratepayers and there needs to be a clear

1 link back to the provision of electricity
2 services.

3 Now once --

4 COMMISSIONER GEESMAN: Mr. Chairman.

5 CHAIRPERSON DESMOND: Commissioner.

6 COMMISSIONER GEESMAN: Can I ask my
7 friend Dave if the following sentence, "However,
8 project proponents will be expected to identify
9 benefits to electricity ratepayers." isn't pretty
10 clear?

11 MR. MODISETTE: Well --

12 COMMISSIONER GEESMAN: You didn't read
13 that in your quote.

14 MR. MODISETTE: Well, no, and frankly
15 that sentence really doesn't give us much comfort
16 because you have defined benefits to electric
17 ratepayers in the previous sentence. So, that
18 third sentence in my mind doesn't add anything to
19 the previous two sentences.

20 I don't think there is any implication
21 in that third sentence that would somehow now
22 there is going to be another criteria that is not
23 mentioned above.

24 CHAIRPERSON DESMOND: My reading of the
25 previous sentence is "for example" and that I

1 didn't interpret that to be an exhaustive list of
2 criteria that would be applied. I'm trying to
3 understand how the interpretation here is that we
4 have only defined those benefits listed in the
5 paragraph above if we are saying it is an example?

6 MR. MODISETTE: I am saying that it
7 seems to us that this language says that you could
8 select just one of these benefits, such as
9 increased diversity in fuels, and use that as the
10 sole criteria to select projects.

11 CHAIRPERSON DESMOND: I don't see that.

12 COMMISSIONER GEESMAN: You know, I
13 suspect neither one of us have really been able to
14 engage in much literary criticisms since we were
15 in college, so this is a joyful process, but I am
16 not certain it is particularly productive.

17 MR. MODISETTE: I would agree with that.
18 I mean, I actually think that this is quite a
19 complicated area. So, our recommendation would be
20 just to delete those first two sentences, leave
21 the third which you just quoted, and then convene
22 a group of stakeholders to determine just what is
23 the criteria going to be to determine benefits to
24 electric ratepayers.

25 It seems to us that it has to include

1 some provision back to the provision of
2 electricity services. Once that is satisfied,
3 once there is a link back to the provision of
4 electricity services, you know, we would
5 completely agree that there would be ratepayer
6 benefits from reduction of air emissions,
7 reduction of greenhouse gas emissions, and
8 increased use of alternative fuels.

9 Without that link back to the provision
10 of electricity services, we don't think that PIER
11 should be used to fund those projects.

12 Let me just give you an example. If
13 there is no link back to the provision of
14 electricity services in a biodiesel research
15 project, why should ratepayers be paying for
16 biodiesel research?

17 Again, our recommendation is to work
18 this out in a stakeholder meeting or a workshop,
19 not trying to put language in here which we think
20 clearly implies that the Commission intends to
21 select projects which only have the benefits that
22 are enumerated in this language.

23 CHAIRPERSON DESMOND: Commissioner
24 Rosenfeld.

25 COMMISSIONER ROSENFELD: May I should

1 butt in. First of all, let me say it is a
2 pleasure to be crossing paths with you again. I
3 am glad to see you, sir.

4 Let me just say what I think. The
5 problem is that this document here is not so easy
6 to modify. It is a little bit the results of
7 shuttle diplomacy because before the two
8 transportation bills, there was only a PIER
9 Committee, and that is me and John Geesman, and we
10 got along very well. There weren't any problems
11 of defining a new field.

12 Now we are told and we intend to get
13 into the transportation area. That is a new field
14 for us. It is going to take a lot of honest work,
15 which we simply haven't done yet. The best
16 example I can give of how we did a previous job is
17 very well known to Commissioner Geesman because it
18 was getting into the transmission business.

19 It involved working with a lot of
20 stakeholders for close to a year of coming up with
21 a roadmap, and I think it is generally got a good
22 reputation now, but it didn't happen fast and it
23 didn't happen easily. That is a job we have in
24 front of us now.

25 You know, many proponents of many ideas

1 will have lots of time to express them. So, I
2 would admit that for example, the sentence, I
3 didn't interpret it the way you interpreted it.
4 On the other hand, at the risk of sounding
5 defensive, there's been too much shuttle diplomacy
6 going on to change it easily, particularly since
7 Commissioner Boyd, Chairman of the Transportation
8 Committee, is not here.

9 I think I will also make the remark that
10 I did get a phone call from Les Guliassi on the
11 part of PG&E yesterday who said he had some
12 concerns with the drafting, but he was more or
13 less comfortable and ready to let history evolve.

14 I can only promise you that the intent
15 of this paragraph, however it was written, was to
16 say we want to fairly broad interpretation, we
17 want lots of proponents of any schemes to come
18 out, but by golly, those twelve magic words still
19 apply, and they have to be relayed back to
20 electricity.

21 I realize we haven't quite let you get
22 through your prepared testimony, but I couldn't
23 resist those comments.

24 MR. MODISETTE: Thank you very much the
25 guidance you just provided does give us a great

1 deal of comfort.

2 Why don't I just skip to the second
3 issue then. That is that we would like to suggest
4 some modifications to the sentence which appears
5 at the bottom of page 24 in item number three.
6 Why don't I just read that. It says, "In this
7 regard, priorities should be given to fuel blends,
8 for example, non-petroleum fuels blended with
9 gasoline and diesel that can be used in existing
10 engine systems and fueling infrastructure.
11 Renewable fuel blends should be of particular
12 importance given the potential to produce these
13 fuels from in-state resources and provide economic
14 value to California."

15 We completely agree that there is an
16 economic benefit in using fuels and technologies
17 that can utilize existing fueling infrastructure.
18 This includes other technologies and fuels besides
19 fuel blends, such as electricity for plug-in
20 hybrids.

21 Of course, electricity can also be made
22 from renewable fuels providing similar economic
23 benefits to fuel blends.

24 While both fuel blends and electricity
25 provide these benefits that are in this language

1 described only to fuel blends, we think the PIER
2 project should be selected on a broad spectrum of
3 criteria, and I won't describe that, but a broad
4 spectrum of criteria, so because that kind of
5 evaluation has not yet been done, we don't think
6 it is appropriate for this document to establish
7 priority for fuel blends.

8 We actually think that it is possible to
9 draft some language, and I've actually given an
10 example here which makes clear that there are
11 these benefits which are described in those two
12 sentences, but doesn't give priority to blended
13 fuels.

14 There is alternative language that I've
15 suggested in the letter that I sent yesterday, and
16 I can read that language if you would like me to
17 do that now.

18 CHAIRPERSON DESMOND: We have the
19 language.

20 MR. MODISETTE: Why don't I just read
21 it. It says, "Alternative fuels that use existing
22 fueling infrastructure, such as electricity for
23 plug-in hybrids and non-petroleum fuels blended
24 with gasoline and diesel, may have an advantage
25 because they can be deployed quickly and without

1 large investments and new infrastructure. Fuels
2 which can be made from renewable resources, such
3 as electricity and biofuels, should be of
4 particular importance, even the potential to
5 produce these fuels from in-state resources and
6 provide economic value to California."

7 We feel that language really captures
8 the intent of what was meant by the previous
9 language without indicating prematurely that there
10 will be some priority for blended fuels.

11 CHAIRPERSON DESMOND: Commissioner
12 Geesman, go ahead.

13 COMMISSIONER GEESMAN: Hating to indulge
14 again in literally criticism, I don't have
15 anything to say negatively about your language,
16 Dave, but I do think that we need to respect a
17 certain hierarchy of authorship, and in this
18 circumstance, I would be strongly inclined to
19 defer to the Commission's Transportation
20 Committee, which authored this particular
21 language.

22 I think that is where we are supposed to
23 derive our policy guidance from. In this
24 circumstance, I am comfortable with their language
25 as well.

1 CHAIRMAN DESMOND: As I have read
2 through this, because I did read the letter that
3 you had, and, again, you are pointing out that
4 infrastructure such as electricity, whether it is
5 hybrids, plug-in hybrids, or neighborhood electric
6 vehicles, to me fits right under PIER strategic
7 objective number one.

8 In other words, as I read that, my
9 reading was that they weren't talking about fuels
10 and priority to the fuel blends, that we are
11 talking about liquid fuels as opposed to the
12 electricity falling under the other priority,
13 which is reducing petroleum dependence and
14 electricity to do so to do that.

15 As I said, having read this, and this is
16 parsing words here, I think that the document is
17 intended to capture the opportunity to identify
18 the research objective into the very things that
19 you've requested.

20 Ms. Krebs.

21 MS. KREBS: Another point I might make
22 is to suggest that you look at page twenty-six
23 under Areas of RD& D, the research solutions, and
24 the fourth bullet addresses specifically, "Develop
25 and demonstrate options for alternative fuel

1 distribution, infrastructure, and development and
2 deployment, and examine technologies such as plug-
3 in hybrids, truck stops, marine port, and airport
4 electrification, and accelerate storage and
5 distribution technology development for non-
6 petroleum alternative fuels."

7 So, I think that we try in both areas to
8 explicitly identify the kinds of technologies and
9 technology options that Mr. Modisette is pointing
10 out.

11 CHAIRPERSON DESMOND: Commissioner
12 Pfannenstiel.

13 COMMISSIONER PFANNENSTIEL: As one who
14 engaged in a couple rounds of the Wordsmithing on
15 this area, I would emphasize that we were trying
16 to do from the Transportation Committee
17 standpoint, I think just what Mr. Modisette is
18 looking for us to have done, which is to recognize
19 that there are the other than the fuel-based
20 alternatives that need to be considered here, and,
21 in fact, need to be given some priority in what we
22 are thinking of doing.

23 I will reiterate, though, what I said
24 earlier that the actual projects to get approved
25 will be those that come in on a project basis to

1 the R & D Committee and then the full Commission.
2 There is a ways to go between today and those
3 projects coming in, in terms of the rules being
4 written and the criteria being laid out that much
5 more firmly.

6 I believe that we are in accord, and I'm
7 not sure that a lot more changes in the words in
8 this document will move us more in the direction
9 that you are looking for us to go.

10 CHAIRMAN DESMOND: Commissioner
11 Rosenfeld.

12 COMMISSIONER ROSENFELD: I have one last
13 comment, which I hope is to reassure you. I have
14 already said there is going to be more stakeholder
15 involvement than you wish to contemplate. I was
16 actually, after reading your letter last night, I
17 was actually about to get on the phone with
18 Commissioner Boyd who is not here, but who is the
19 Chairman of the Transportation, and see what he
20 thought about changing the Wordsmithing.

21 Mike Smith, who is sitting right behind
22 you so close you can touch him, Jim's Senior
23 Advisor, reminded me that this is just a cut and
24 paste job from the IEPR. All of the strategic
25 objectives are lauded throughout the report and

1 are cut and pasted in the IEPR, which is now I
2 guess I am supposed to call the Energy Report,
3 right?

4 Again, I don't want to particularly get
5 into Wordsmithing or what somebody else wrote some
6 months ago, but I hope you've heard enough
7 discussion today about the fact that we don't
8 disagree with anything you've said. I'm going to
9 stick for the words we have.

10 MR. MODISETTE: I'll close my comments
11 here. I think we really talked about this enough,
12 but the IEPR language is similar to that, although
13 it is a little different because we actually
14 requested some changes in the IEPR language, you
15 know, which were granted.

16 If you wanted to substitute the complete
17 IEPR language here, I think that would make us
18 feel a little better. Just to kind of summarize,
19 I think our remaining concern is that at this
20 point in time, you really don't want to or you
21 really shouldn't identify certain technologies as
22 priority and not others.

23 That is kind of what we feel like the
24 use of the term priority in this particular area
25 is frankly unfortunate.

1 CHAIRPERSON DESMOND: Thank you. Mr.
2 Shears from the Center for Energy Efficiency and
3 Renewable Technologies.

4 MR. SHEARS: Good morning, Chairman
5 Desmond and Commissioners, and thank you for
6 taking time to listen to my comments this morning.
7 I apologize, partly I am here representing CEERT
8 and partly I have been asked to make comments by
9 some of the other environmental organizations.
10 Part of the concerns are possibly because of the
11 late posting of the report and our tight schedules
12 not giving us a lot of time to go over the report.

13 First I would like to echo some of the
14 concerns raised by Mr. Modisette. While we are
15 all for petroleum demand reduction at CEERT, we
16 and our affiliates would be concerned if too much
17 of the PIER budget were to be shifted over to the
18 transportation and fuel side and taken away from
19 the State's other priorities in power generation
20 renewable and energy efficiency.

21 Having said that, I would just like to
22 refer to the language on transportation fuels
23 regarding alternative fuels, and I would like to
24 make the point that the priority should be on
25 alternative to gasoline, not just added as

1 alternatives will enable California to take the
2 largest bite out of oil dependence and global
3 warming pollution in the long run.

4 PIER funds should be focused on issues
5 involved with bringing petroleum alternatives such
6 as E-85 and cellulosic E-85 to commercialization.
7 We also stress in the case of blends since E-85 is
8 a high ethanol blend, that clearly as the Energy
9 Commission works with the Resources Board to
10 develop a plan that we focus again on those
11 alternative fuels, you know, follow the
12 precautionary principle and are the most
13 protective of air quality and environment in this
14 state. Thank you.

15 CHAIRPERSON DESMOND: Great. Thank you.

16 This is probably a good time to
17 interject one point and also let you know I think
18 there is another opportunity to convey that.
19 Staff, as part of the Interagency Biomass Working
20 Group, produced a Biomass Action Plan. We had a
21 workshop here on March 9 last week. We had over
22 100 people. Again, Commissioner Boyd is not here
23 today, has been chairing that effort and has done
24 an outstanding job.

25 The purpose of that plan is to look at

1 biomass for energy, gasification whether it is
2 landfill gasification, methane digesters, and
3 alternative fuels. I think you will find very
4 much that plan, again, another opportunity to
5 comment, and as we make those final
6 recommendations to be sure to get it.

7 We are concerned, and so those issues
8 are clearly being addressed in that document.

9 MR. SHEARS: I am very very much
10 involved in that. In fact, I am on the Board of
11 the Biomass Collaborative, and we will be
12 submitting written comments later this week on
13 that action plan. Thank you.

14 CHAIRPERSON DESMOND: Alright, thank
15 you. Okay, so with -- yes, Mr. Alvarez.

16 MR. ALVAREZ: Thank you, Commissioner.
17 Manuel Alvarez, Southern California Edison. I
18 wasn't sure I was going to get up here till I
19 heard a couple of comments here. I want to add a
20 particular point.

21 I am pleased with the dialogue I heard
22 from the Commissioners in terms of ratepayer
23 benefits and the linkage back to the projects that
24 come before the Commission. I think that is a
25 legitimate concern that you need to focus on at

1 all times.

2 What I would like to do is I would like
3 to react to the comments I just heard about the
4 displacement of petroleum because I think we are
5 getting confused here. It is clear to me that the
6 Commission wants a fairly broad and integrated
7 research and development program, which
8 encompasses electricity, natural gas, and
9 transportation of petroleum.

10 The problem you have now is that you
11 have timing problems that the Commission has
12 historically has had a transportation fuels
13 program, a fairly large one historically, and has
14 funded a lot of research.

15 The PIER Program, when it was created as
16 a result of 1890 or separated out as a result of
17 1890, created this electric component and then
18 subsequently the natural gas component was also
19 passed as Senate Bill 76, but there wasn't a
20 transportation component attached to that. There
21 wasn't a public interest transportation component.

22 From what I am hearing, it is clear the
23 Commission wants to move in that direction. I'm
24 going to suggest that the Commission consider some
25 kind of transportation public interest research

1 funding activity and look to that to fund those
2 kinds of activities separate from the electric and
3 the natural gas area.

4 Hopefully, I can add a little bit of a
5 point to that because I don't want to get confused
6 over the broadness of the RD & D activities and
7 the Commission.

8 CHAIRPERSON DESMOND: Thank you.
9 Commissioner Geesman.

10 COMMISSIONER GEESMAN: Mr. Alvarez, as
11 you may recall, that was a recommendation in the
12 2005 IEPR. I know it has also been one of the
13 topics taken up in the Governor's Climate Change
14 Action Team deliberation. I think the concept
15 might be furthered quite a bit if your company and
16 your industry would be a little more forceful in
17 articulating what you've just recommended to us.

18 In this area, I think actually there is
19 potential electricity ratepayer benefit of some
20 significance, and I do think that it is
21 appropriate to fund the activity from the existing
22 electric public goods charge.

23 I think we just last Friday,
24 Commissioner Desmond and I, listened to John
25 Fielder, the President of your company, make the

1 argument that he's made a number of times before
2 that it is inappropriate for Commissioner Peevey's
3 Climate Change Initiative at the PUC to single out
4 the electric industry with a cap on Co2 emissions.
5 Given the proportion of California's Co2 problem
6 that comes from the transportation sector, it only
7 makes sense to focus a great deal of more activity
8 on the transportation sector.

9 This type of research is one of the
10 building blocks to doing that, and I would think
11 that your company, and certainly as Mr. Guliasi
12 conveyed to Commissioner Rosenfeld and myself last
13 night, PG&E is cognoscente of that. I think both
14 your companies and presume SEMPRA as well have an
15 interest in seeing that the state moves forward
16 here.

17 MR. ALVAREZ: I agree with that
18 Commissioner, and I think actually you hit on the
19 exact point as 30 years ago as to why we have an
20 Energy Commission, to broaden that scope on energy
21 policy as opposed to electricity or regulatory
22 policy. Your comments are well taken, but you do
23 have to step back away from the regulatory arena
24 and attempt to regulate what you can regulate to
25 solve the problems on energy, and that is actually

1 one of the reasons why the Energy Commissions
2 exists to take that broader view.

3 A broader R&D activity encompassing
4 transportation, electricity, and natural gas is in
5 fact something that the Energy Commission has
6 pursued historically, it has just pursued it
7 incrementally and components depending on the
8 level of funding and activities over the years.

9 The integration of a R&D program is
10 consistent with the integration of an energy
11 system for the state. Thank you.

12 CHAIRPERSON DESMOND: Thank you. Any
13 further comments from the public on this issue?

14 (No response.)

15 CHAIRPERSON DESMOND: In summary then
16 with the reassure that these transportation
17 related activities clearly are intended to provide
18 and identify ratepayer electricity benefits, I'll
19 look for a motion.

20 COMMISSIONER ROSENFELD: I move item
21 seven.

22 (Thereupon, the motion was made.)

23 COMMISSIONER GEESMAN: Second.

24 (Thereupon, the motion was seconded.)

25 CHAIRPERSON DESMOND: All those in

1 favor?

2 (Ayes.)

3 CHAIRPERSON DESMOND: Opposed?

4 So moved. Thank you, Ms. Krebs, and
5 thank you to everyone who commented. I appreciate
6 the discussion.

7 Item No. 8, approval of the minutes of
8 the March 1, 2006.

9 COMMISSIONER ROSENFELD: I move the
10 minutes.

11 (Thereupon, the motion was made.)

12 COMMISSIONER GEESMAN: Second.

13 (Thereupon, the motion was seconded.)

14 CHAIRPERSON DESMOND: All those in
15 favor?

16 (Ayes.)

17 CHAIRPERSON DESMOND: Opposed?

18 So moved.

19 Commission Committee presentations and
20 discussion. I was going to touch on the biomass.
21 We already spoke about that, so we will move on.

22 Chief Counsel's Report.

23 MR. CHAMBERLAIN: I have no report this
24 morning, Mr. Chairman.

25 CHAIRPERSON DESMOND: Executive

1 Director's Report?

2 MR. BLEVINS: Mr. Chairman, I just
3 wanted to briefly use my time to make one comment
4 on Item 6, which was the procurement discussion
5 that we just had.

6 I wanted to be clear, and maybe I am
7 being clear to the Electricity Committee now and
8 for the benefit of the full Commission, that the
9 heart of the issue on that item is going to be how
10 the PUC interprets this bright line relative to ex
11 parte contact.

12 That interpretation could have
13 ramifications just in terms of the resources we
14 have available in order to pursue what they may
15 envision as something that is helpful to them.

16 I'm probably, as Executive Director,
17 going to take a fairly conservative approach here.
18 I mean until the moral issues surrounding cloning
19 are resolved, we have specific people that are
20 here to do specific things, and it becomes very
21 difficult to have them do both in the light of
22 that bright line.

23 I just wanted to add that comment for
24 the benefit of the full Commission. Thanks.

25 CHAIRPERSON DESMOND: Thank you very

1 much, Mr. Blevins.

2 Item No. 12, no Legislative Report to
3 speak of?

4 Item 13, Ms. Kim, Public Advisor's
5 Report.

6 MS. KIM: I have no report.

7 CHAIRPERSON DESMOND: Public comment.

8 We have one public comment, and that is from Brent
9 is it Schoradt?

10 MR. SCHORADT: Yes.

11 CHAIRPERSON DESMOND: Very good, with
12 the California Wilderness Coalition.

13 MR. SCHORADT: Good morning, my name is
14 Brent Schoradt. I am here representing the
15 California Wilderness Coalition. The California
16 Wilderness Coalition is a non-profit organization
17 whose mission is to protect and defend
18 California's last remaining wild places.

19 I would like to first of all thank this
20 Commission, the California Energy Commission staff
21 and the Commissioners for participating as a
22 cooperating agency in the federal effort to
23 designate energy corridors on California's public
24 lands.

25 Your participation allowed an additional

1 public comment period that resulted in hundreds of
2 comments from California residents concern with
3 the impacts of this project.

4 Many of the letters that you received,
5 of course, expressed great concern with the siting
6 of energy corridors in California's most pristine
7 public lands.

8 The map of industry proposed corridors
9 that was shown on the CEC website, showed proposed
10 corridors in four national parks, 24 designated
11 wilderness areas, 6 wilderness study areas, and 26
12 inventoried roadless areas.

13 We are convinced that these wild places
14 are in inappropriate locations for power
15 corridors, and we would recommend that all energy
16 corridors be aligned along existing corridors and
17 along existing transportation routes.

18 As the CEC moves forward in this
19 process, we urge you to stand up for the
20 protection of California's natural heritage.
21 Conserving California's public land is incredibly
22 popular in California, and we've been delighted to
23 hear the Governor stand up for protecting
24 California's roadless areas by saying, "Roadless
25 areas in California will remain roadless."

1 The CWC, which is the California
2 Wilderness Coalition, along with Environment
3 California, the Sierra Nevada Forest Protection
4 Campaign, Defenders of Wildlife, the Center for
5 Biological Diversity, the Sierra Club, and the
6 National Parks Conservation Association recently
7 sent this Commission a letter requesting that you
8 oppose corridors in national parks, wilderness
9 study areas, and national forest or roadless
10 areas.

11 Today I would like to once again urge
12 you to stand up for California's wild places by
13 opposing corridors in these fragile places and
14 supporting corridors that follow existing
15 corridors and existing energy and transportation
16 corridors.

17 Thank you very much.

18 CHAIRPERSON DESMOND: Thank you very
19 much for coming in to provide those comments.
20 Anyone else?

21 (No response.)

22 CHAIRPERSON DESMOND: Not hearing any
23 further interest, I'll close this business
24 meeting. Thank you, again, for everyone who came
25 today.

(Thereupon, the business
meeting was adjourned to
closed session at 10:58 a.m.

--oOo--

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter,
do hereby certify that I am a disinterested person
herein; that I recorded the foregoing California
Energy Commission business meeting; that it was
thereafter transcribed into typewriting.

I further certify that I am not of
counsel or attorney for any of the parties to said
business meeting, nor in any way interested in
outcome of said matter.

IN WITNESS WHEREOF, I have hereunto set
my hand this 23rd day of March, 2006.

Peter Petty

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345